

KENTUCKY ECONOMIC INDICATORS

July Indicators as of September 25, 2003

? **KY Composite Index of Leading Indicators increased 6.4 percent for July.**

- ✍ The Leading Index rose for the third consecutive month.
- ✍ The Leading Index was down by 0.1 percent over the same month last year.
- ✍ Component indicators were all positive this month.
 - ? KY Labor Intensity Index increased 3.2 percent.
 - ? The Conference Board's US Leading Index increased 7.8 percent.
 - ? The Index of KY Initial Claims increased 9.0 percent.
 - ? Retail Sales grew substantially 16.8 percent.
 - ? Louisville HWI increased by one point to 50.

? **KY Composite Index of Coincident Indicators increased 7.0 percent for July.**

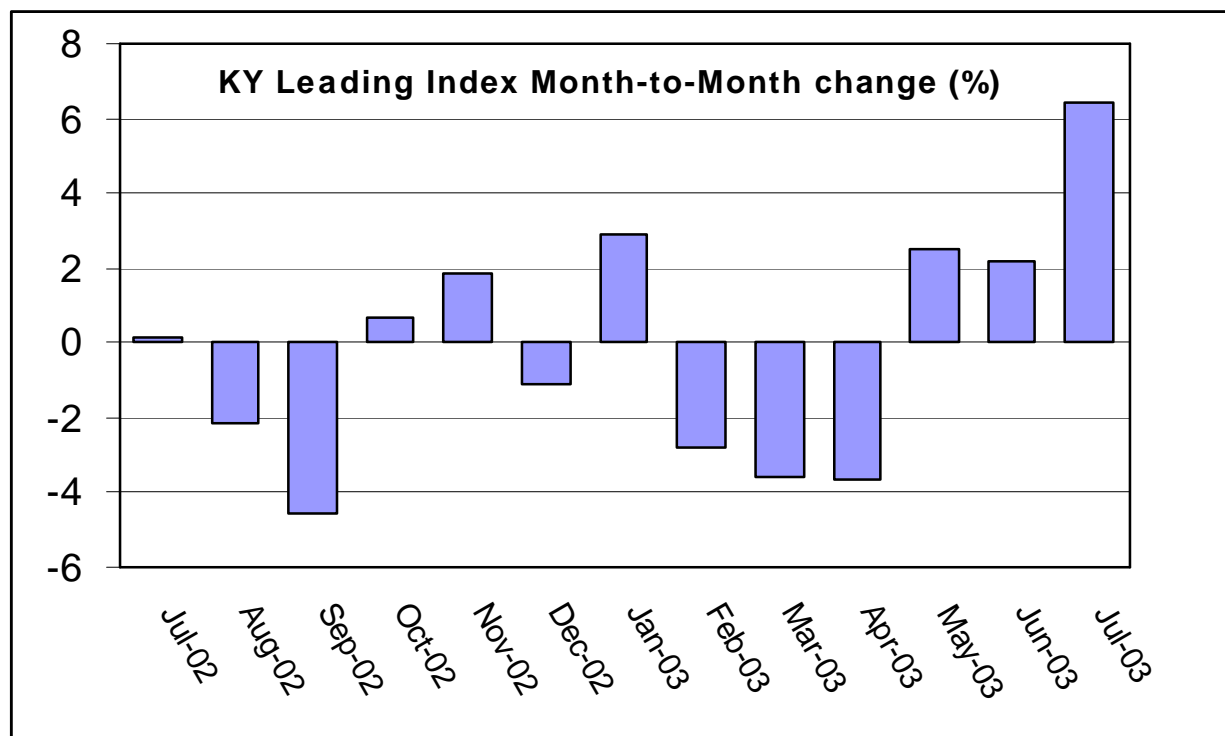
- ✍ The Coincident Index increased for the third time this year.
- ✍ Year over year change was negative for fourth consecutive month by 0.2 percent.
- ✍ Component indicators were all positive this month.
 - ? KY Total Nonagricultural Employment increased by 13.3 percent.
 - ? US Personal Income Less Transfers grew slightly 1.1 percent.
 - ? US Industrial Production increased 9.1 percent.

The Kentucky Leading Index was positive for the third consecutive month, indicating an upturn in economic activity in the next six-to-nine months. Furthermore, the peak of activity indicated by the February-to-April three month period should be short-lived or show up as shallow negative monthly growth in economic activity in the fourth quarter of 2003. GOEA will monitor tax receipts, the labor market and other production indicators for a decline followed by positive numbers.

The Leading Index is strongly positive this month as all five components are positive. The movement in the KY Labor Intensity Index is very encouraging for the Kentucky economy as this variable carries the highest weight in the KY Leading Index. It is positive for the third time this year, but still down for the year and down 3.4 percent from its local peak of 108.0 in May 2000. The Labor Intensity Index is the product of employment and average weekly hours for five manufacturing sectors in Kentucky. The Labor Intensity Index is heavily influenced by moderate growth in average weekly hours this month, as only one employment sector showed growth, while two sectors were stable and two declined. This is evidence that the manufacturing sector is employing its existing labor more intensely but not yet hiring new workers. Nonagricultural employment was up sharply by 13.3 percent, the first positive month since January 2003.

Despite the depressed labor market activity in the last several months, consumer spending remains high. US Retail Sales rose to \$317 billion, up 16.8 percent from June 2003 and up 5.4 percent over July 2002. Consumer spending was a smaller problem during the 2001 recession than in past recessions. Consumers have been encouraged to spend due to low interest rates, that are the lowest they have been in over 40 years.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research Kentucky Annual Economic Report, 2000.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- ? **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- ? **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- ? **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- ? **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- ? **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.state.ky.us.

**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002												2003													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
KY Leading Index (1992=100)	111.1	111.0	110.5	110.6	110.8	110.7	110.9	110.7	110.3	110.0	110.2	110.4	111.0	110.4	110.2	110.3	110.7	110.8	110.7	110.9	110.7	110.3	110.0	110.2	110.4	111.0
	0.2	-2.1	-4.6	0.7	1.9	-1.1	2.9	-2.8	-3.5	-3.7	2.5	2.2	6.4	2.2	2.5	-3.5	-2.8	1.9	-1.1	2.9	-2.8	-3.5	-3.7	2.5	2.2	6.4
	0.1	0.2	0.5	0.4	0.6	0.3	0.3	0.0	-0.4	-0.5	-0.5	-0.7	-0.1	-0.7	-0.5	-0.4	0.0	0.6	0.3	0.3	0.0	-0.4	-0.5	-0.5	-0.7	-0.1
KY Coincident Index (1992=100)	127.5	127.6	127.6	127.3	127.4	127.1	127.6	127.5	127.1	126.8	126.9	126.5	127.2	126.5	126.9	127.1	127.5	127.4	127.1	127.6	127.5	127.1	126.8	126.9	126.5	127.2
	-1.2	0.7	-0.1	-2.9	1.4	-2.8	5.0	-1.5	-3.2	-2.6	0.2	-3.6	7.0	-3.6	0.2	-3.2	-1.5	1.4	-2.8	5.0	-1.5	-3.2	-2.6	0.2	-3.6	7.0
	-0.1	0.0	0.2	0.4	0.7	0.5	0.7	0.6	0.1	-0.2	-0.3	-0.9	-0.2	-0.9	-0.3	0.1	0.6	0.7	0.5	0.7	0.6	0.1	-0.2	-0.3	-0.9	-0.2
KY Nonag Employment (000s)	1779.4	1785.8	1785.9	1786.1	1787.0	1782.5	1793.3	1787.5	1784.7	1775.9	1770.7	1754.5	1772.9	1754.5	1770.7	1784.7	1787.5	1787.0	1782.5	1793.3	1787.5	1784.7	1775.9	1770.7	1754.5	1772.9
	-4.0	4.4	0.1	0.1	0.6	-3.0	7.5	-3.8	-1.9	-5.8	-3.4	-10.4	13.3	-10.4	-3.4	-1.9	-3.8	0.6	-3.0	7.5	-3.8	-1.9	-5.8	-3.4	-10.4	13.3
	-1.0	-0.9	-0.5	-0.3	-0.2	-0.2	0.1	0.1	-0.2	-0.7	-0.9	-1.7	-0.4	-1.7	-0.9	-0.2	0.1	-0.2	-0.2	0.1	0.1	-0.2	-0.7	-0.9	-1.7	-0.4
KY Mfg Employment (000s)	274.7	274.3	272.9	273.5	272.9	272.6	273.1	272.8	272.2	270.0	268.9	267.1	271.4	267.1	268.9	272.2	272.8	272.9	272.6	273.1	272.8	272.2	270.0	268.9	267.1	271.4
	-3.9	-1.7	-6.0	2.6	-2.4	-1.6	2.3	-1.3	-2.6	-9.5	-4.8	-7.6	20.9	-7.6	-4.8	-2.6	-1.3	-2.4	-1.6	2.3	-1.3	-2.6	-9.5	-4.8	-7.6	20.9
	-5.2	-4.7	-4.5	-3.7	-3.4	-3.2	-2.5	-2.3	-2.2	-2.8	-2.8	-3.1	-1.2	-3.1	-2.8	-2.2	-2.3	-3.4	-3.2	-2.5	-2.3	-2.2	-2.8	-2.8	-3.1	-1.2
KY Unemployment Rate (%)	5.5	5.5	5.4	5.4	5.5	5.5	5.3	5.7	5.7	5.8	5.7	5.9	6.1	5.9	5.7	5.7	5.7	5.5	5.5	5.3	5.7	5.7	5.8	5.7	5.9	6.1
KY Index of Initial UI Claims	100.7	100.5	99.3	99.7	100.6	98.7	100.3	99.7	98.8	98.4	99.0	99.1	99.8	99.1	99.0	98.8	99.7	100.6	98.7	100.3	99.7	98.8	98.4	99.0	99.1	99.8
	5.2	-2.1	-13.2	5.2	10.4	-19.9	21.1	-6.7	-10.7	-5.1	7.8	0.9	9.0	0.9	7.8	-10.7	-6.7	10.4	-19.9	21.1	-6.7	-10.7	-5.1	7.8	0.9	9.0
	0.9	1.0	0.9	3.0	2.6	-0.6	0.3	-0.7	-0.8	-0.5	-0.7	-1.2	-0.9	-1.2	-0.7	-0.8	-0.7	2.6	-0.6	0.3	-0.7	-0.8	-0.5	-0.7	-1.2	-0.9
KY Labor Intensity Index (1992=100)	105.4	105.2	105.3	105.3	105.0	105.3	105.1	104.9	104.3	104.4	104.3	104.1	104.4	104.1	104.3	104.3	104.9	105.0	105.3	105.1	104.9	104.3	104.4	104.3	104.1	104.4
	2.3	-2.0	1.1	-0.2	-2.9	3.3	-2.2	-1.5	-7.7	1.2	-1.0	-1.8	3.2	-1.8	-1.0	-7.7	-1.5	-2.9	3.3	-2.2	-1.5	-7.7	1.2	-1.0	-1.8	3.2
	-0.7	-0.8	-0.4	-0.2	-0.3	-0.1	-0.1	-0.3	-1.0	-0.8	-0.8	-1.0	-0.9	-1.0	-0.8	-1.0	-0.3	-0.3	-0.1	-0.1	-0.3	-1.0	-0.8	-0.8	-1.0	-0.9
Louisville H W Index (1992=100)	64.0	60.0	58.0	58.0	57.0	53.0	55.0	60.0	58.0	50.0	47.0	49.0	50.0	49.0	47.0	58.0	60.0	57.0	53.0	55.0	60.0	58.0	50.0	47.0	49.0	50.0
	-71.2	-53.9	-33.4	0.0	-18.8	-58.2	56.0	184.1	-33.4	-83.2	-52.4	64.9	27.4	64.9	-52.4	-33.4	184.1	-18.8	-58.2	56.0	184.1	-33.4	-83.2	-52.4	64.9	27.4
	-24.7	-21.1	-20.5	-10.8	-9.5	-8.6	-8.3	0.0	-13.4	-18.0	-28.8	-31.0	-21.9	-31.0	-28.8	-13.4	0.0	-9.5	-8.6	-8.3	0.0	-13.4	-18.0	-28.8	-31.0	-21.9
GF Total Receipts (\$ mil)	435.5	488.5	655.5	570.8	527.2	642.1	635.4	419.7	438.0	696.4	416.4	617.6	470.9	617.6	416.4	438.0	419.7	527.2	642.1	635.4	419.7	438.0	696.4	416.4	617.6	470.9
	-3.2	12.9	6.1	13.0	1.3	5.4	14.4	-3.1	1.8	-0.5	-3.1	1.6	8.2	1.6	-3.1	1.8	-3.1	1.3	5.4	14.4	-3.1	1.8	-0.5	-3.1	1.6	8.2
	201.7	231.2	201.2	217.5	189.0	192.5	233.3	150.6	165.6	199.7	190.2	191.6	208.2	191.6	190.2	165.6	150.6	189.0	192.5	233.3	150.6	165.6	199.7	190.2	191.6	208.2
% Chg Same Month Last Year	-1.2	25.7	6.1	10.7	-0.7	-1.2	-1.2	-3.6	-1.3	0.1	0.3	0.1	3.2	0.1	0.3	-1.3	-3.6	-0.7	-1.2	-1.2	-3.6	-1.3	0.1	0.3	0.1	3.2
GF Income Tax Receipts (\$ mil)	187.6	203.9	279.0	237.7	217.1	227.9	290.9	204.7	117.0	354.4	158.2	267.9	206.6	267.9	158.2	117.0	204.7	217.1	227.9	290.9	204.7	117.0	354.4	158.2	267.9	206.6
	-2.9	0.7	-2.9	10.2	4.0	-3.2	28.9	-3.7	-0.6	-5.8	1.8	-1.5	10.1	-1.5	1.8	-0.6	-3.7	4.0	-3.2	28.9	-3.7	-0.6	-5.8	1.8	-1.5	10.1
	% Chg Same Month Last Year																									

Errata: The Kentucky Unemployment Rates presented in the June 2003 issue of the Kentucky Economic Indicators Report were Not Seasonally Adjusted numbers. No other series was affected.

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2002							2003						
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	
US Leading Index (1982=100)	111.0	110.9	110.4	110.4	111.0	111.2	111.2	110.6	110.5	110.5	111.7	112.1	112.8	
% Chg Previous Month SAAR	-2.1	-1.1	-5.3	0.0	6.7	2.2	0.0	-6.3	-1.1	0.0	13.8	4.4	7.8	
% Chg Same Month Last Year	1.8	1.8	2.2	1.8	1.6	0.6	0.2	-0.4	-0.5	-0.3	0.3	0.8	1.6	
US Coincident Index (1992=100)	115.3	115.3	115.2	115.2	115.3	115.2	115.5	115.1	115.1	115.0	115.1	115.2	115.4	
% Chg Previous Month SAAR	2.1	0.0	-1.0	0.0	1.0	-1.0	3.2	-4.1	0.0	-1.0	1.0	1.0	2.1	
% Chg Same Month Last Year	0.1	0.1	0.4	0.4	0.9	0.7	0.8	0.6	0.5	0.3	0.3	0.1	0.1	
US Nonag Employment (Mil.)	130.2	130.2	130.3	130.4	130.4	130.2	130.4	130.2	130.1	130.1	130.0	129.9	129.9	
% Chg Previous Month SAAR	-1.6	0.2	0.6	1.1	0.0	-1.9	1.5	-1.1	-1.4	-0.2	-0.7	-0.8	-0.5	
% Chg Same Month Last Year	-1.3	-1.1	-1.0	-0.6	-0.4	-0.4	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.3	
US Unemployment Rate (%)	5.8	5.8	5.7	5.8	5.9	6.0	5.7	5.8	5.8	6.0	6.1	6.4	6.2	
US Initial Claims for UI (000s)	386.8	397.8	416.9	410.6	389.0	410.5	386.7	408.6	423.3	447.2	431.6	425.9	398.5	
% Chg Previous Month SAAR	-15.1	40.0	75.6	-16.7	-47.7	90.7	-51.2	93.7	52.8	93.3	-34.7	-14.7	-55.0	
% Chg Same Month Last Year	-2.6	-0.6	-7.1	-15.5	-14.2	2.0	-3.6	5.0	0.8	3.4	5.8	8.6	3.0	
Industrial Production Index	111.6	111.3	111.2	110.6	110.8	109.9	110.7	110.7	110.1	109.5	109.5	109.3	110.1	
% Chg Previous Month SAAR	8.5	-2.9	-0.7	-6.9	2.4	-9.4	8.9	0.7	-6.9	-6.4	0.1	-1.6	9.1	
% Chg Same Month Last Year	0.5	0.6	1.2	1.0	1.8	1.4	1.6	1.4	0.4	-0.6	-0.9	-1.3	-1.3	
US Personal Inc. Less Trans. (bil 92\$)	6876.9	6879.2	6881.0	6863.9	6874.2	6893.8	6896.7	6887.3	6875.6	6899.6	6925.7	6932.0	6938.1	
% Chg Previous Month SAAR	-7.6	0.4	0.3	-2.9	1.8	3.5	0.5	-1.6	-2.0	4.3	4.6	1.1	1.1	
% Chg Same Month Last Year	0.3	0.4	0.0	0.8	0.9	0.6	0.8	0.4	0.1	0.8	0.7	0.1	0.9	
CPI, All Urban (1982-84=100)	180.1	180.5	180.9	181.2	181.4	181.6	182.2	183.3	183.9	183.3	183.3	183.6	183.9	
% Chg Previous Month SAAR	2.0	2.7	2.7	2.0	1.3	1.3	4.0	7.5	4.0	-3.8	0.0	2.0	2.0	
% Chg Same Month Last Year	1.5	1.7	1.6	2.0	2.3	2.4	2.6	3.0	3.0	2.2	2.1	2.1	2.1	
Retail Sales (bil 84\$)	300.8	302.7	299.2	299.5	301.7	305.8	307.0	302.7	309.6	308.7	310.2	313.1	317.2	
% Chg Previous Month SAAR	11.9	7.7	-13.0	1.0	9.4	17.6	4.9	-15.6	30.7	-3.4	6.1	11.9	16.8	
% Chg Same Month Last Year	4.4	4.5	5.2	-0.8	2.7	4.3	5.0	3.0	5.4	3.6	5.6	5.1	5.4	
Manufacturing & Trade Sales (000s)	868.4	867.4	859.0	861.4	867.3	870.7	875.3	857.7	868.0	864.2	870.5	879.1	*876.5	
% Chg Previous Month SAAR	13.5	-1.4	-11.0	3.4	8.5	4.8	6.6	-21.7	15.3	-5.1	9.2	12.5	-3.5	
% Chg Same Month Last Year	3.2	2.6	4.6	1.4	2.5	2.5	2.1	1.0	2.3	0.8	1.7	2.3	0.9	
US Consumer Sentiment (1966=100)	81.0	80.6	79.9	73.1	78.5	80.8	72.8	69.9	69.6	79.3	91.4	86.4	83.7	
% Chg Previous Month AR	-62.5	-5.8	-9.9	-65.6	135.2	41.4	-71.4	-38.6	-5.0	378.6	449.6	-49.1	-31.7	
% Chg Same Month Last Year	-8.4	-5.4	8.7	-3.2	2.5	-1.8	-20.3	-19.8	-24.9	-11.0	-1.4	-1.7	3.3	
Bank Prime Interest Rate (%)	4.75	4.75	4.75	4.75	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.22	4.00	
*ARIMA estimation														